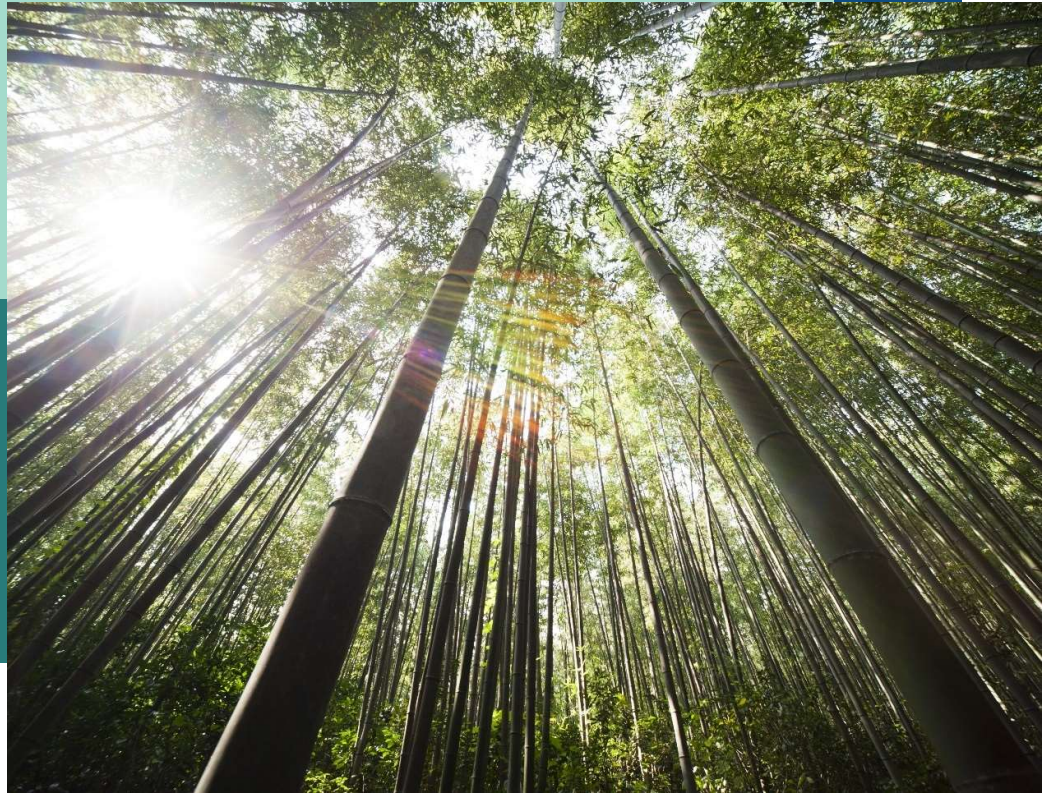


# Sustainability Reporting Review

2021



Published in May 2021

**Project head**

Lawrence Loh, Michael Tang

**Project team**

Singapore Exchange: Lim Qingyang, Rainer Lo, Eliza Tan, Andrea Yap

Centre for Governance and Sustainability: Annette Singh, Nguyen Thi Thuy, Serene Teoh, Loh Wanqi

**Supported by**

See Rui Xiao Angelica, Choo Hai Wen Carey, Ho Zhi Liang Melvin, Lee Zheng Jie Daryl, Ong Tat Sian Jimmy, Tan Pang Wun Malcolm, Vanessa Elizabeth

**Edited by**

Sustainable Finance Institute Asia: Kenneth Lim

# Table of contents

About Singapore Exchange .....	iv
About the Centre for Governance and Sustainability, NUS Business School .....	v
Executive summary .....	1
1. Introduction .....	3
2. Methodology .....	4
2.1 Research scope.....	4
2.2 Assessment framework.....	4
3. The SGX sustainability reporting regulatory framework .....	6
3.1 Listing rules.....	6
3.2 Principles .....	6
3.3 Primary components.....	7
3.4 Regulatory updates.....	7
4. Sustainability reporting performance of Singapore-listed issuers.....	9
4.1 Overview of sustainability reporting practices .....	9
4.2 Sustainability reporting scores: Listing boards and market capitalisation.....	10
4.3 Sustainability reporting scores: Industry sectors.....	13
4.4 Spotlight: Catalist and the Mainboard's small caps .....	14
5. Component disclosures in sustainability reports .....	16
5.1 General scope .....	16
5.2 Material topics .....	17
5.3 Policies, practices and performance.....	21
5.4 Targets.....	22
5.5 Sustainability reporting framework.....	24
5.6 Board statement .....	25
6. Key principles of sustainability reporting practices .....	28
6.1 Stakeholder engagement .....	28
6.2 Risks and opportunities.....	30
6.3 Independent assurance .....	31
6.4 Timeliness .....	32
6.5 Reporting on favourable and unfavourable aspects.....	34
7. Topical Issues .....	36
7.1 Covid-19.....	36
7.2 Climate change.....	37

8. Conclusion .....	39
8.1 Next steps .....	39
References .....	41

## List of figures and tables

Table 1: SGX-CGS Sustainability Reporting Scorecard .....	4
Figure 1: Sustainability report submissions.....	9
Figure 2: Distribution of scores .....	10
Figure 3: Average scores by listing board.....	11
Figure 4: Average scores by market capitalisation .....	12
Figure 5: Average scores by sector.....	13
Figure 6: Average scores by market capitalisation and listing board.....	14
Figure 7: Disclosures on reporting scope .....	16
Figure 8: Disclosures on materiality.....	18
Figure 9: Percent of issuers that cite a factor as material (2021 review).....	19
Figure 10: Prevalence of material factors within industry sectors .....	20
Figure 11: Disclosures on performance .....	21
Figure 12: Disclosures on targets .....	23
Figure 13: Reporting on framework adoption.....	24
Figure 14: Inclusion in board statements .....	26
Figure 15: Disclosures on stakeholder engagement.....	28
Figure 16: Prevalence of stakeholder groups within industry sectors .....	29
Figure 17: Disclosures on risks and opportunities.....	30
Figure 18: Independent assurance.....	31
Figure 19: Percent of issuers that submitted sustainability reports on time .....	33
Figure 20: Balance in reporting among all issuers.....	34
Figure 21: Covid-19 disclosures .....	36
Figure 22: Climate change disclosures.....	37



## List of abbreviations

CDP	Carbon Disclosure Project
CG	Corporate governance
CGS	Centre for Governance and Sustainability
CS	Corporate sustainability
EESG	Economic, environmental, social and governance
ESG	Environmental, social and governance
GRI	Global Reporting Initiative
IIRC	International Integrated Reporting Council
ISAE	International Standard on Assurance Engagements
NUS	National University of Singapore
SASB	Sustainability Accounting Standards Board
SBTi	Science-based Targets Initiative
SDG	Sustainable Development Goals
SGX	Singapore Exchange
SGX Regco	Singapore Exchange Regulation
SSAE	Singapore Standards on Assurance Engagement
TCFD	Task Force on Climate-related Financial Disclosures
UN	United Nations
UNGC	United Nations Global Compact

## About Singapore Exchange

Singapore Exchange (SGX) is Asia's leading and trusted securities and derivatives market infrastructure, operating equity, fixed income, currency and commodity markets to the highest regulatory standards. It also operates a multi-asset sustainability platform, SGX FIRST or Future in Reshaping Sustainability Together ([sgx.com/first](https://sgx.com/first)).

SGX is committed to facilitating economic growth in a sustainable manner leveraging its roles as a key player in the ecosystem, a business, regulator and listed company. With climate action as a key priority, SGX aims to be a leading sustainable and transition financing and trading hub offering trusted, quality, end-to-end products and solutions.

As Asia's most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and over 80% of listed bonds originating outside of Singapore. SGX is the world's most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit [www.sgx.com](https://www.sgx.com).

## About the Centre for Governance and Sustainability, NUS Business School

The Centre for Governance and Sustainability (CGS), formerly known as Centre for Governance, Institutions and Organisations (CGIO), was established by the National University of Singapore (NUS) Business School in 2010. It aims to spearhead relevant and high-impact research on corporate governance (CG) and corporate sustainability (CS) issues that are pertinent to institutions, government bodies and businesses both in Singapore and Asia. This includes corporate governance and corporate sustainability, governance of family firms, government-linked companies, business groups, and institutions. CGS also organises events such as public lectures, industry roundtables, and academic conferences on topics related to governance and sustainability.

CGS is the national assessor for the corporate sustainability and corporate governance performance of listed companies in Singapore.

More information about CGS can be accessed at <https://bschool.nus.edu.sg/cgs/>

For more than 50 years, NUS Business School has offered a rigorous, relevant and rewarding business education to outstanding students from across the world.

Founded in the same year that Singapore gained independence, NUS Business School stands today among the world's leading business schools. It is distinctive for offering the best of global business knowledge with deep Asian insights, preparing students to lead Asian businesses to international success and to help global businesses succeed in Asia.

The School attracts a diversity of smart and talented students to our broad portfolio of academic programs, including BBA, MBA, Executive MBA, MSc and PhD programs in addition to our customised and open enrolment Executive Education courses. Admission to NUS Business School is highly competitive, and we are proud of the exceptional quality of our students.

For more information, please visit <https://bschool.nus.edu.sg/>.

## Executive summary

The 2021 assessment of sustainability reporting among Singapore-listed issuers takes place as the growth of sustainability-linked financing, Covid-19, and heightened concerns about climate change are affecting sustainability management and reporting worldwide. The mere act of disclosure, without paying heed to the quality of what is disclosed, is no longer enough to satisfy the demands of stakeholders who require better corporate transparency regarding sustainability efforts.

It is in this context that we discuss the sustainability reporting performance of 566 SGX-listed issuers. Progress is tracked against the last review, carried out in 2019, although it has been a good four years since sustainability reporting became a requirement on SGX. While there remains ample room for improvement, the results are for the most part heartening.

**Across-the-board improvements drove the average overall score to 71.7 points in 2021 from 60.6 in 2019.** Issuers, more of which had the benefit of previous sustainability reporting experience, made gains on average regardless of listing board, size or industry sector. Issuers conformed more closely to the regulatory standards, and reporting quality was more even. In the 2021 review, 59.9 percent of issuers scored at least 70 points, significantly higher than the 28.9 percent in the 2019 assessment.

**Smaller issuers, especially those listed on the sponsor-supervised Catalist board, made the biggest gains.** The average score of small-cap companies rose by 13 points, more than the 10-point improvement by mid-cap companies and the large caps' six-points gain. The average score on the sponsor-supervised Catalist board, which are almost all small caps, overtook the Mainboard's average. These results show that the progress in reporting standards have come as the issuers that needed the most help had improved the most.

**Disclosures reflected better but still limited depth of reporting.** All the issuers disclosed material topics, and almost all disclosed their reporting scope, stakeholders and targets. About 64 percent of issuers who disclosed their performance did so in the context of targets, up from 22 percent in the 2019 study. Reporting is also more balanced, with 66 percent of issuers disclosing unfavourable aspects of their sustainability performance, up from 55 percent, and half of issuers showing both positive and negative trends in their performance, up from 26 percent. The propensity of short-term target disclosure increased to 72 percent from 40 percent, hewing more closely to the guideline to set targets for the next reporting period. However, the use of longer-term targets fell to 53 percent from 63 percent.

**Issuers are embedding sustainability more deeply into their corporate structures and strategies.** Although the proportion of issuers that linked top executive remuneration and EESG performance was a modest 26 percent, it marked a significant increase from 8 percent in the 2019 study. That improvement is also notable because whereas the 2019 study found that most issuers disclosing this linkage were large caps, such disclosures are now more widespread across the market. Among issuers that disclosed sustainability targets, 70 percent linked those goals to business strategy, up from 33 percent previously.

**Independent assurance remains uncommon despite some progress, and disclosures about the underlying processes and stakeholder engagement in materiality determination regressed.**

Although more issuers are obtaining assurance for their sustainability reports, the numbers remain low with only 21 per cent of issuers having internal or external assurance, or both. On disclosures about material factors, a lower proportion of issuers discussed engaging stakeholders to determine materiality compared to the 2019 assessment. While a number of issuers had indeed made such disclosures in previous reports, in the current period they merely mention having reviewed their material topics without further elaboration. Discussions about risks and opportunities also slipped, although issuers may have shifted those disclosures to their annual reports instead of their sustainability reports.

**Social factors remained the most common material factors, and were particularly relevant for issuers during the Covid-19 pandemic.**

Social factors were most frequently cited by issuers as material. About 61 percent of issuers made disclosures related to the Covid-19 virus, although the full effect of the pandemic is not reflected in this study. The Covid-19 disclosures were predominantly regarding social and economic topics as corporations worked to ensure the safety and well-being of employees and other stakeholders amid declines in sales and operational disruptions. Almost half the listed issuers discussed climate change as an economic, environmental, social and governance (EESG) factor in their sustainability reports, including its economic impact and emissions; for most of these it was a material topic. It should be noted that this is a lower bound of disclosures related to climate change; if a looser definition is used to include energy disclosures, the share of listed issuers incorporating climate change in their reports increases to 70 percent.

**Solutions for improving issuers' sustainability reporting might benefit from a targeted approach aimed at the gaps highlighted in this study.**

Despite an overall improvement in reporting quality, the review found uneven progress depending on an issuer's listing board, size and industry sector. For instance, the Mainboard's small-sized issuers may deserve more attention, while the reasons behind the Catalist board's strong performance could offer lessons for the rest of the market. Issuers might need more encouragement on assurance. Singapore-listed issuers must continue to develop their sustainability reporting to better manage emerging risks and opportunities, and to be better prepared for greater scrutiny from stakeholders.

# 1. Introduction

The 2021 assessment of sustainability reporting among Singapore listed issuers has taken place amid key global developments affecting sustainability management and reporting.

First, and most starkly, is the Covid-19 pandemic. Covid-19 is a highly disruptive EESG event with wide-ranging impact. The pandemic has shown that the common understanding of sustainability as mainly pertaining to environmental concerns is too narrow a view (Katz and McIntosh 2020, Tan 2020, Loh 2020). Indeed, the pandemic has highlighted the importance of social factors, both in the need to care for the health and safety of employees and customers, and to care for the local community. It has also shown the importance of issues such as business continuity planning, supply chain resilience and crisis management (Tang 2020, KPMG 2020, Cheam 2020).

Second, there has been a global boom in sustainability-linked financing, with environmental, social and governance (ESG) investing hitting a record high of USD 30 trillion in 2019 (Cheam 2020). Inbound ESG-related financing in Asia attracted USD 22.4 billion of investments from ESG funds in 2020 (Business Times 2021). In Singapore specifically, enhanced government support such as the Green and Sustainability-Linked Loans Grant Scheme has prompted banks to introduce sustainability-linked loan frameworks (CNA 2020, MAS 2020).

Third, there is greater stakeholder concern regarding climate change. Singapore's 2021 Budget outlined plans for a green economy and a review of the carbon tax, reflecting the growing presence of climate change in policy and public conversations (KPMG 2020, Business Times 2021a). Corporate sentiments send the same message, with 60 percent of Singapore CEOs believing that managing climate risk will affect whether they keep their jobs over the next five years (KPMG 2020).

All of these factors have implications for the sustainability reporting of Singapore-listed issuers. Mere disclosure will no longer be sufficient. Issuers can expect increased scrutiny and demands for transparency from stakeholders like investors, regulators and government (Ng 2021). Thus, the future of companies will be increasingly tied to the quality of their disclosures.

It is in this context that we present the results of the 2021 assessment of sustainability reporting among Singapore-listed issuers. It has been four years since sustainability reporting for SGX-listed companies became compulsory, and our latest review covers 566 companies. Against the last study, in 2019, the latest results show largely heartening progress. It should be noted, however, that this review chiefly assesses performance against SGX sustainability reporting requirements, and the scores do not directly measure the quality of issuers' sustainability practices.

Just as some numbers show encouraging signs of improvement, others point to areas that need more work. Better reporting of sustainability matters can put issuers in position to attract sustainability-conscious customers, obtain lower-cost financing and gain better access to capital, and improves resilience in the face of future challenges (Loh 2020). We hope that this review helps issuers to pursue those potential benefits.



## 2. Methodology

### 2.1 Research scope

This study covers all SGX-listed issuers (excluding newly listed companies, delisted companies, suspended companies, secondary listings, cash companies and companies under judicial management), and assesses their latest sustainability reports published as at 31 Dec, 2020. A total of 569 listed issuers were eligible for assessment.

Historical comparisons are made against a similar review in 2019, which assessed sustainability reports published as at 31 Dec, 2018. That earlier review was the first to be carried out as the current sustainability reporting framework began to take effect. This is the second.

The assessments are based solely on the sustainability reports of listed issuers. Actual corporate sustainability policies and practices are not evaluated, although it is assumed that the reports provide an accurate representation of issuers' sustainability management.

### 2.2 Assessment framework

The sustainability reporting performance of listed issuers reflects their compliance with the requirements of the SGX Sustainability Reporting Guide. Specific attention is given to general reporting scope, along with the five specified primary components: Material ESG factors; policies practices and performance; targets; sustainability reporting framework; and board statement.

#### SGX-CGS Sustainability Reporting Scorecard

Category	Weightage (%)
General scope	10
Material ESG factors	20
Policies, practices and performance	20
Targets	20
Sustainability reporting framework	15
Board statement	15
<b>TOTAL</b>	<b>100</b>

Table 1: SGX-CGS Sustainability Reporting Scorecard

The assessment framework is aimed at evaluating the depth of listed issuers' sustainability disclosures on general reporting scope and those five components, and is essentially the same as the SGX-CGS Sustainability Reporting Scorecard<sup>1</sup> used in the 2019 study (**Table 1**).

The study also assesses issuers' performance on some of the reporting principles that are laid out in the reporting guide, including: Stakeholder engagement; reporting of risks and opportunities; independent assurance; timeliness; and balanced reporting.

---

<sup>1</sup> The Scorecard was originally called the SGX-CGIO Sustainability Reporting Scorecard. Its name has been changed to reflect the change of name of the Centre for Governance, Institutions and Organisations (CGIO) to the Centre for Governance and Sustainability (CGS).

## 3. The SGX sustainability reporting regulatory framework

### 3.1 Listing rules

Publishing an annual sustainability report is compulsory under SGX-ST Listing Rule 711A, which requires the report to be published no later than five months after the end of the issuer's financial year.

The components of the report, however, are regulated under a “comply or explain” principle applied through SGX-ST Listing Rule 711B. That rule specifies the primary components that must be included in the report and the requirement to disclose and explain the exclusion of any primary component.

Although the sustainability reporting rules were added in 2016, they only came into effect for financial years that ended on or after Dec 31, 2017 as part of a phased introduction. Issuers were also given up to 12 months from their financial year-end to publish their first sustainability reports. This meant that many issuers only published their first sustainability reports from 2018 onwards.

### 3.2 Principles

Eight principles guide the SGX sustainability reporting rules:

- **Board responsibility:** An issuer's board of directors has ultimate responsibility for sustainability reporting. The board should also determine the ESG factors identified as material to the business and see to it that they are monitored and managed.
- **Comply or explain:** The rules require that each issuer filing an annual sustainability report that includes certain primary components. Where an issuer cannot report on any primary component, the issuer must state so and explain what it does instead and the reasons for doing so.
- **Report risks as well as opportunities:** In identifying material ESG factors, issuers should consider both risks and opportunities, and explain them fully but in a concise manner.
- **Balanced reporting:** Care should be taken to give an accurate and balanced view despite the possible tendency to give more prominence to what is favourable and understate what is negative.
- **Performance measurement system:** An effective policy and operational response to sustainability risks and opportunities requires performance measurement and its linkage to performance incentives.
- **Global standards and comparability:** Issuers should give priority to globally recognised frameworks and disclosure practices to guide their reporting. Where an issuer is applying a portion of a particular framework, the issuer should provide a general description of the extent of the issuer's application of the framework.

- **Stakeholder engagement:** Regular and sustained engagement with stakeholders provides the issuer with an up-to-date picture of its sustainability within both its business and physical environments; the material outcomes of such engagement should be included in the sustainability report.
- **Independent assurance:** Independent assurance increases stakeholder confidence in the accuracy and completeness of information disclosed. An issuer new to sustainability reporting may wish to start with internal assurance before progressing to external assurance for its benefits. Issuers should also consider whether it is worthwhile to undertake independent external assurance on selected important aspects of its report even in initial years before expanding coverage in succeeding years.

### 3.3 Primary components

A sustainability report must include the following primary components:

- **Material ESG factors:** The report should identify the material ESG factors, and describe both the reasons and the process of selection, taking into consideration their relevance to the business, strategy, business model and key stakeholders.
- **Policies, practices and performance:** The report should set out the issuer's policies, practices and performance in relation to the material ESG factors identified, providing descriptive and quantitative information on each of the identified material ESG factors for the reporting period. Performance should be described in the context of previously disclosed targets.
- **Targets:** The report should set out the issuer's targets for the forthcoming year in relation to each material ESG factor identified.
- **Sustainability reporting framework:** The issuer should select one or more sustainability reporting framework to guide its reporting and disclosure. Selected reporting frameworks should be appropriate for and suited to the issuer's industry and business model. Frameworks used should be disclosed, as well as the reasons for choosing the frameworks and a general description of the extent of application of said frameworks.
- **Board statement:** The report should contain a statement from the board of directors on the board having considered sustainability issues as part of its strategic formulation, determined the material ESG factors and overseen the management and monitoring of the material ESG factors.

Issuers must disclose and explain if they exclude any of those components.

### 3.4 Regulatory updates

SGX listing rules on sustainability reporting have not changed between the observation periods for the 2019 and current assessments.

On July 6, 2020, SGX Regulation (SGX Regco) published a column to explain what the regulator expected of sustainability reporting amid Covid-19.

The column highlighted that a responsible board of directors should conduct a fundamental review of the company's business and strategy against its operational environment, and consider the various scenarios that may play out in the future.

Other key points included:

- Reporting on social factors is particularly important, and the outbreak has demonstrated the importance of managing material social risks and opportunities among key stakeholder groups such as employees, customers, suppliers and the community.
- Examples of social aspects that issuers may want to consider and describe in their reports include the health and safety of employees, support for strained customers, supply chain risks and community service.
- Issuers are expected to set out plans and strategies to recover from Covid-19, and sustainability reports should have a special emphasis on social aspects.

## 4. Sustainability reporting performance of Singapore-listed issuers

### 4.1 Overview of sustainability reporting practices

#### With benefit of experience, issuers raise average score by 11 points

Out of the 569 listed issuers eligible for assessment, 566 had released their sustainability reports as at 31 December 2020<sup>2</sup>. This translates to a 99.5 percent compliance rate, comparable to the 99.8 percent in 2019 (Figure 1). This review looks only at submitted reports.



Figure 1: Sustainability report submissions

<sup>2</sup> Two issuers had sought an extension of the deadline to release their sustainability reports from SGX. One issuer did not release its annual report until January 2021.



A majority – 60 percent – of submitted reports in the 2021 assessment were standalone publications, with most of the remainder embedded as sections within annual reports<sup>3</sup>. Two issuers adopted an integrated reporting format.

The overall average sustainability reporting score among the 566 listed issuers was 71.7 out of a maximum possible 100 points, higher than the overall average of 60.6 achieved in the 2019 review.

This is likely due to the effect of experience. In 2019, around 80 percent of the listed issuers released their first sustainability reports; in 2021, about 98 percent of the 566 issuers already had previous sustainability reporting experience.

A comparison of the distribution of scores between the 2019 and 2021 assessment shows an overall increase in reporting quality with a clear shift toward better scores. In the 2021 review, 59.9 percent of issuers scored at least 70 points, significantly higher than the 28.9 percent in the 2019 assessment (Figure 2).

## Broad shift toward better scores

### Distribution of scores

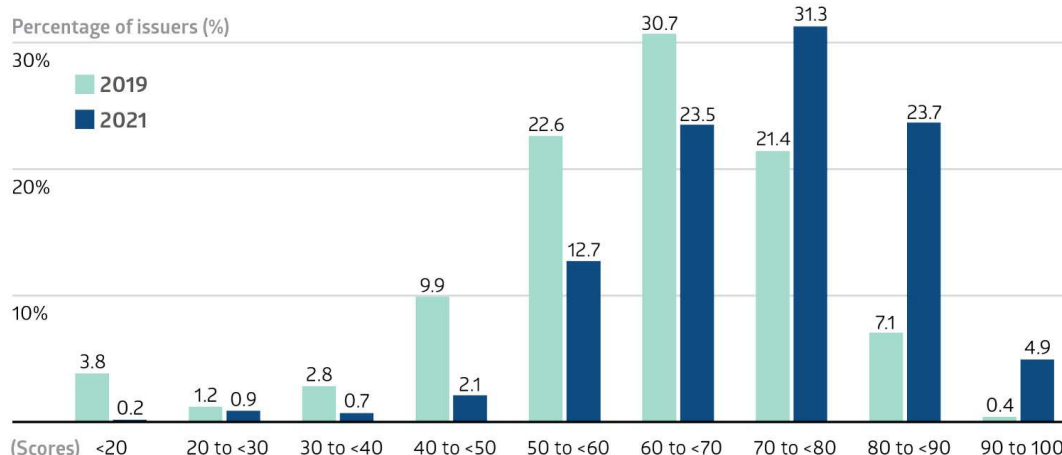


Figure 2: Distribution of scores

## 4.2 Sustainability reporting scores: Listing boards and market capitalisation

### Catalist overtakes Mainboard's average score

The average score on the sponsor-supervised Catalist board now exceeds the Mainboard's mean score. While both boards' average remained largely comparable and the improvement was

<sup>3</sup> Some listed issuers who released standalone sustainability reports also had a sustainability section in their annual reports. In this case the standalone report was used for assessment.

significant for both, the Catalist average rose by 14 points to 73.8. The Mainboard average rose by a more modest 9.9 points to 70.7 (Figure 3).

## Small cap-dominated Catalist beats out Mainboard

### Average scores by listing board

The area of each circle corresponds to the number of issuers in that category

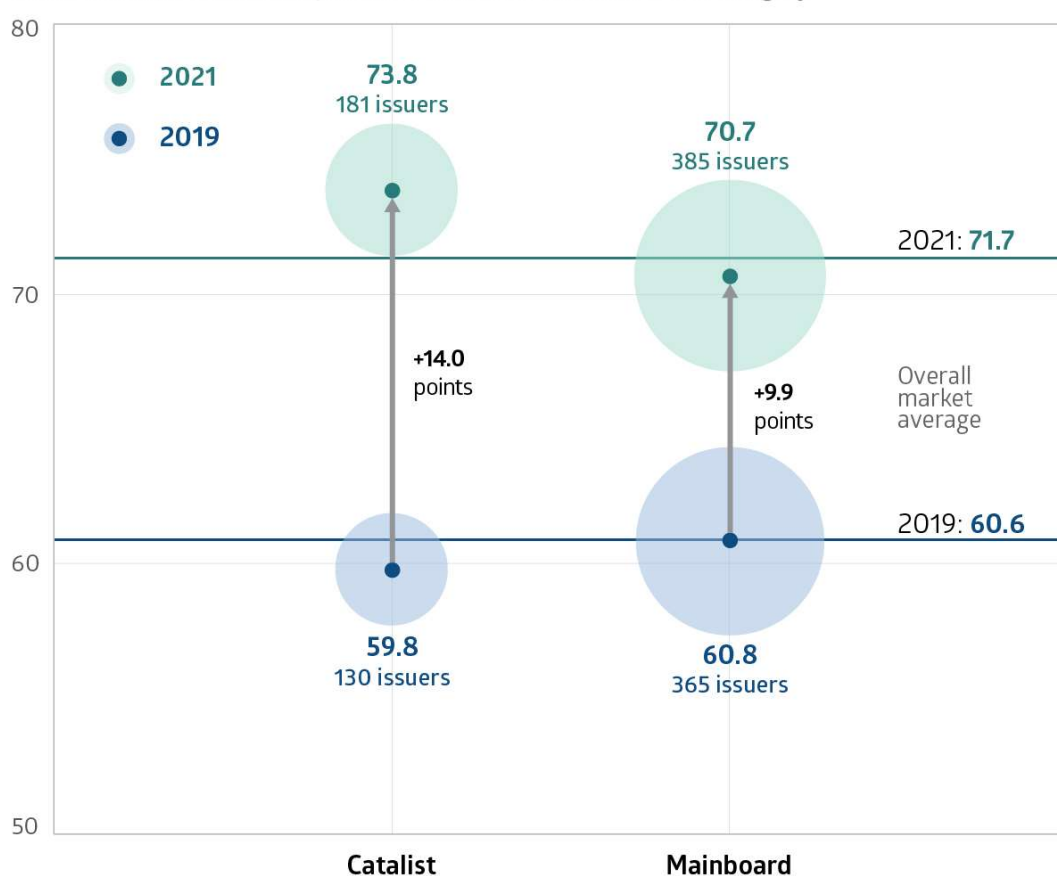


Figure 3: Average scores by listing board

The improvement on Catalist is particularly noteworthy given that Catalist issuers also tend to be smaller than Mainboard companies in terms of market capitalisation. As was the case in the 2019 study, there remains a positive relationship between market capitalisation and sustainability reporting scores (Figure 4), with larger issuers tending to have higher scores.<sup>4</sup>

The special section “Spotlight: Catalist and the Mainboard’s small caps” in this report provides an in-depth discussion about the performance of Catalist and smaller issuers.

<sup>4</sup> Market capitalisation data is based on the listed issuer’s market capitalisation as at Dec 31, 2020. “Large cap” refers to market capitalisation above SGD 1 billion; “Mid cap” refers to market capitalisation between SGD 300 million and SGD 1 billion; “Small cap” refers to market capitalisation below SGD 300 million.

## Large issuers retain lead, but small caps narrow gap

### Average scores by market capitalisation

The area of each circle corresponds to the number of issuers in that category

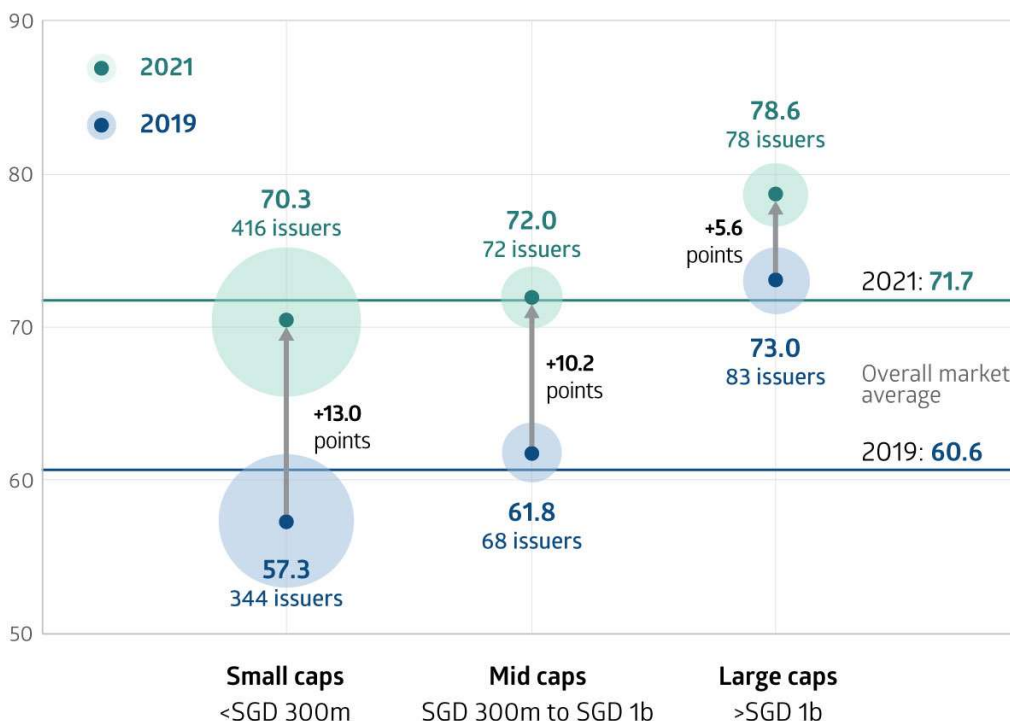


Figure 4: Average scores by market capitalisation

### Small issuers post biggest gains on average

On issuer size, two significant developments since the 2019 study may be observed. First, the average score increased for small-, mid- and large-cap issuers. Second, smaller issuers showed the largest improvement.

The average score for small-cap issuers, defined as those with a market capitalisation below SGD 300 million, increased by 13 points between the 2021 and 2019 reviews. That was more than the roughly 10-point improvement among mid-cap issuers and the six-point gain by large caps. This study defines mid cap as a market value between SGD 300 million and SGD 1 billion; and large cap as a market value above SGD 1 billion. The improvement in the performance of small-cap issuers is even more notable given that they comprise around three-quarters of the issuers in this study, and that the gap between their average scores and those of the mid-cap issuers has shrunk. There has thus been significant improvement in sustainability reporting across the market.

## 4.3 Sustainability reporting scores: Industry sectors<sup>5</sup>

### Real estate maintains lead; previous laggards show most progress

Sustainability reporting practices have improved across all industry sectors (Figure 5). Real estate maintained its lead from 2019, reflecting the ongoing effect of previously developed guidelines for sustainability-related practices in that sector. Interestingly, the sectors with the lowest average scores in 2019 – utilities, information technology and energy – are those that have shown the largest increase in their reporting scores, averaging 20 points, 17 points and 13 points respectively. This is encouraging given the large impact of the energy and utilities sectors on the environment in general, and specifically on climate change.

It should be noted that the variability in average scores of different sectors has reduced substantially from 2019. The difference between the average scores of highest and lowest ranking sectors has narrowed to eight points from 16 points, suggesting much less difference in the quality of sustainability disclosures across the 11 sectors. Nevertheless, there is room for improvement in sectors that earned below-average scores, such as financials and materials.

The growth of ESG-related financing in Singapore could spur improvements in disclosure across a wide range of industry sectors as issuers try to access sustainability-targeted capital.

## Utilities, IT achieve largest improvements

### Average scores by sector

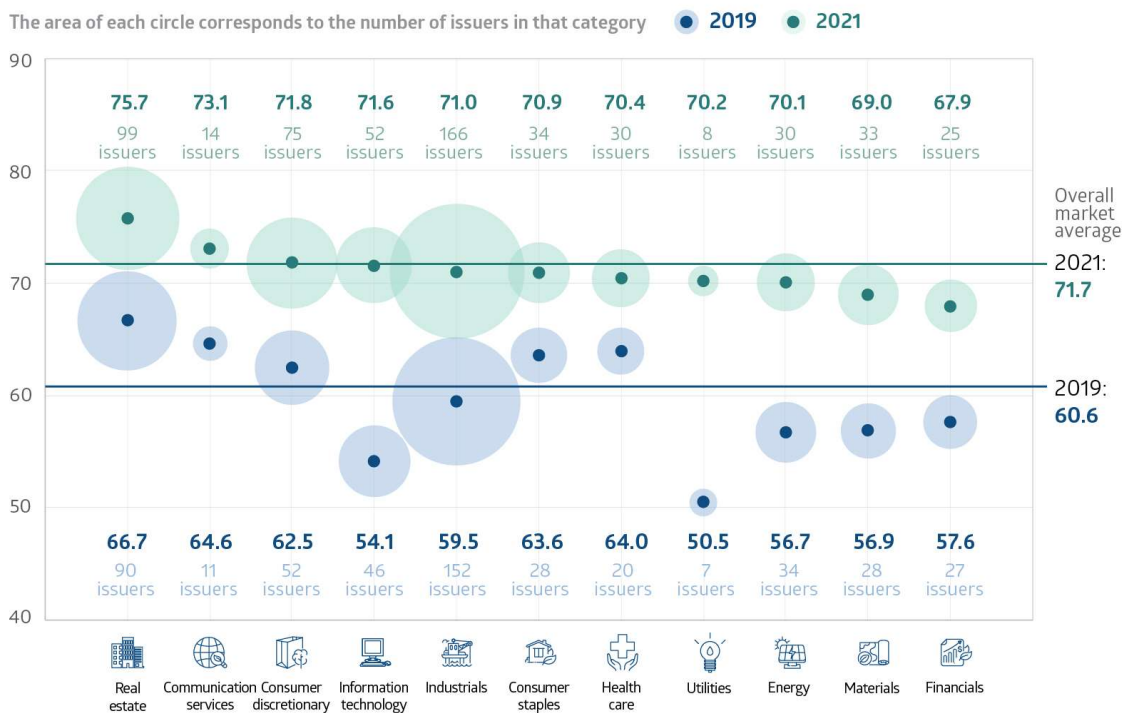


Figure 5: Average scores by sector

<sup>5</sup> Sector classification is done with reference to Global Industry Classification Standard (GICS).

## 4.4 Spotlight: Catalist and the Mainboard's small caps

Two findings from the 2021 review may seem contradictory at first glance.

First, the average sustainability reporting score of large-cap issuers tends to be more than that of mid-cap companies, which in turn tends to be more than that of small-cap issuers. Simply put, larger companies tend to have better scores than smaller companies.

However, splitting the issuers by their listing boards shows that the average score on SGX's Catalist board, which is almost all small-cap issuers, was higher than the average on the Mainboard, home of SGX's billion-dollar blue chips.

What's happening? A closer look reveals that while the Mainboard's largest issuers are generally still the exchange's best-scoring companies, the Mainboard's average is dragged down by a tail of small-cap issuers that, on average, tend to underperform against Catalist. By contrast, Catalist issuers as a group are more consistent in their reporting performance, with less variance between the scores of individual issuers within the board.

### Underperforming small-caps drag on Mainboard

#### Average scores by market capitalisation and listing board

The area of each circle corresponds to the number of issuers in that category

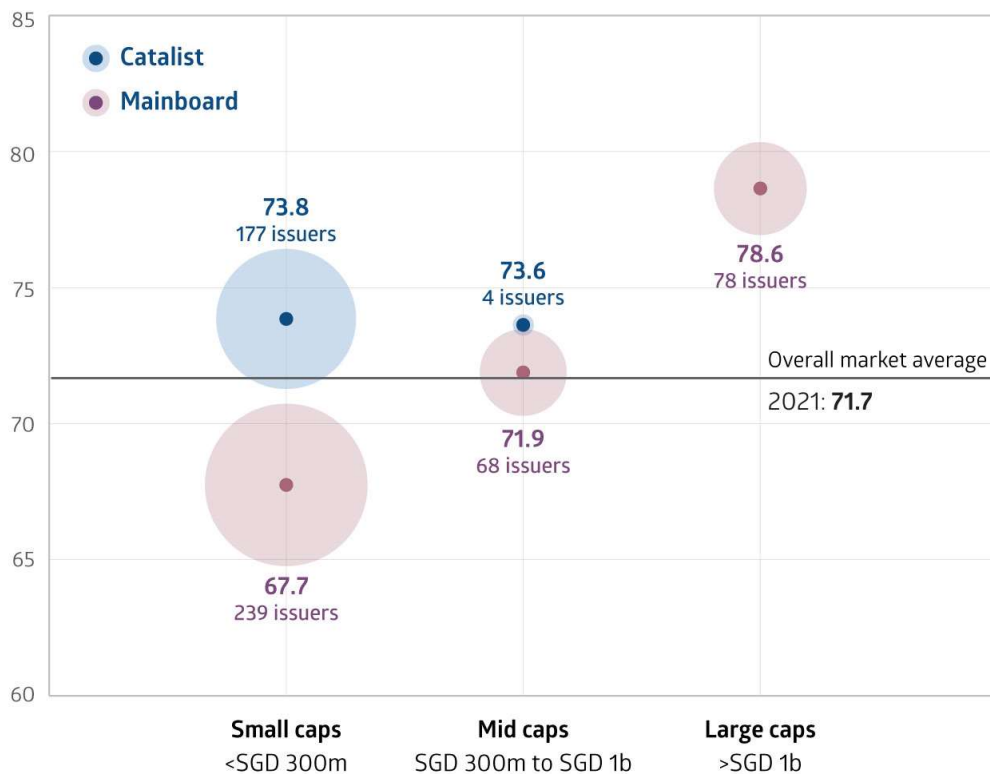


Figure 6: Average scores by market capitalisation and listing board

While the positive relation between size and reporting score seems to exist for all the issuers taken together, that link becomes more nuanced when we separate Catalist and Mainboard issuers within the market cap categories (**Figure 6**). Catalist companies, which are almost all small caps by our definition, might not score better on average than the large caps, which are all on the Mainboard. But the average Catalist score is more than the averages for Mainboard small and mid caps.

About 60 percent of Mainboard issuers are small caps, and the average score of this group is 6.1 points below the average for Catalist small caps. Small caps form a large enough bloc among Mainboard issuers, and their average score lags the Catalist average by a sufficient margin to drag the Mainboard average below the Catalist's mean.

These findings raise intriguing issues that might warrant further attention.

First, understanding the reasons behind the better Catalist scores might offer valuable lessons on how to improve the quality of reporting for the rest of the market. Second, a closer examination of the Mainboard's small caps could offer insights into why, despite having made encouraging progress since 2019, that category as a whole remains a laggard in the market in terms of sustainability reporting.



## 5. Component disclosures in sustainability reports

This section will discuss the results of sustainability reporting assessment based on the general scope of the reports, as well as five primary components set out in the SGX-ST Listing Rule 711B.

### 5.1 General scope

The reporting scope identifies the extent of the listed issuer's operations covered in the report over the reporting period, for example in terms of operating sites or industry activities. Sustainability reports differ widely in terms of their scope of reporting (Bernow et al. 2019). Because of this, it is important for issuers to clearly disclose their breadth of coverage, allowing both the issuer and relevant stakeholders to form more accurate assessments of the organisation's disclosures and its sustainability management.

Ideally, listed issuers would disclose the EESG impacts of their entire business operations. Where this is not done, a clear explanation should be given of the reasons for limiting the scope.

#### Disclosures more complete with scope explanations, subsidiary coverage

The share of listed issuers who disclose their reporting scope has increased (Figure 7). Nine out of 10 issuers disclosed their reporting scope, defined for example by geography or business functions of operating entities.

### Fuller disclosures on scope of reports

#### Disclosures on reporting scope

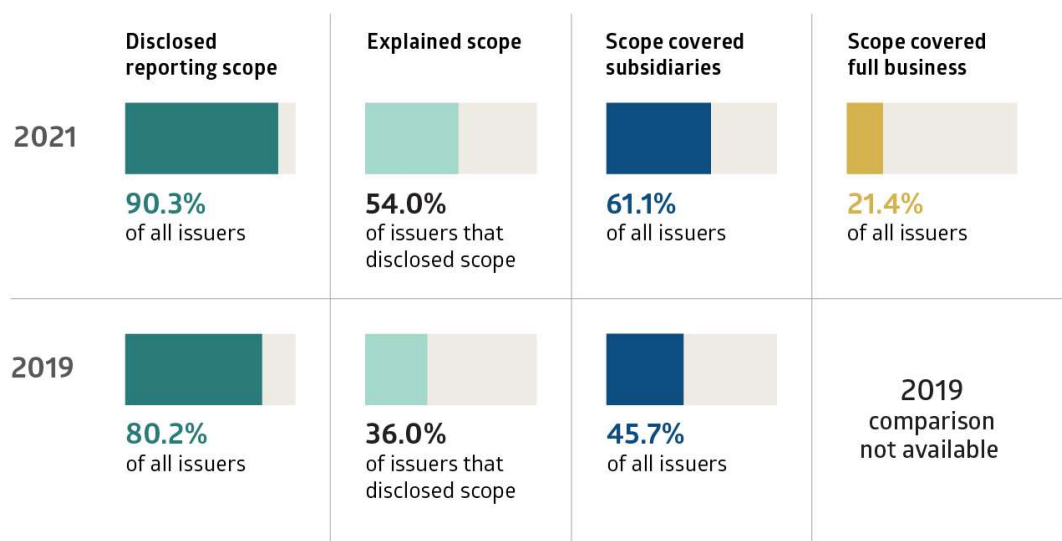


Figure 7: Disclosures on reporting scope

The share of listed issuers who gave some reason or explanation of their reporting scope has increased substantially. In the 2019 study, 36 percent of issuers who disclosed their scope also gave an explanation for it; this increased to over 50 percent in 2021. This is an encouraging indication of the growth in the depth of sustainability disclosures, as issuers go beyond the basic “what” of their disclosures to the underlying “why”. Some examples of these reasons include choosing key markets, activities or their main place of business.

Finally, issuers’ sustainability disclosures are also more complete in terms of extent of coverage. 61 percent covered subsidiaries in their sustainability reports, up from 46 percent. 21 percent of listed issuers reported that their disclosures covered their full business operations.

But more issuers should explain the reasons behind their reporting scope. This will help to give stakeholders context to the information reported, facilitating them forming an accurate picture of the issuer’s EESG processes, practices and performance. It would also be beneficial for more listed issuers to expand the scope of their coverage so that their sustainability disclosures cover their full business operations.

### **Best practices: Reporting scope**

Disclosures about reporting scope should include:

- A clear description of the coverage of the report, for example in terms of operating sites, industry activities or industrial assets.
- An explanation of why this particular reporting scope was chosen.

## **5.2 Material topics**

Material topics are those EESG factors that are most important for the listed issuer, in terms of both its long-term performance and its impact on stakeholders. Identifying these factors through materiality assessment is the “backbone” of sustainability reporting (Overall 2017). It allows issuers to focus their sustainability strategy on the key factors for their organisation, rather than dissipating their resources on monitoring and managing less relevant EESG topics. It also gives assurance to investors and other stakeholders that the issuer has identified and prioritised the issues that are its main sources of risk and opportunity.

### **Good reporting on materiality’s ‘what’, but less on ‘how’ and ‘why’**

Improvement can also be seen in materiality reporting, with all the listed issuers identifying their material topics in their sustainability reports (Figure 8). This resulted in materiality achieving among the highest average scores among the scored components. A common method that issuers use to present the results of their materiality assessment is to map the topics on a two-dimensional matrix that shows the importance of the topic to stakeholders on one axis, and to the company on the other axis.

## Slight drop in discussion of materiality determining process

### Disclosures on materiality

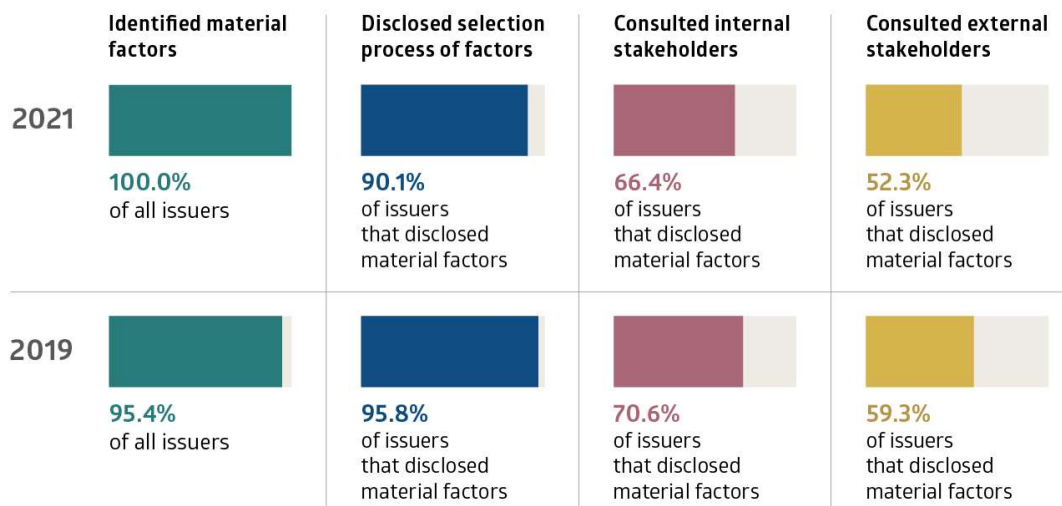


Figure 8: Disclosures on materiality

Figure 8 also shows slight drops in the reporting of selection processes used to determine materiality (to 90 percent of those reporting material topics), as well as in the consultation of stakeholders (internal and external). This appears to be the result of issuers relying on their sustainability reporting from earlier years. A number of issuers had indeed made such disclosures in previous reports; however, in the current period they merely mentioned having reviewed their material topics without elaboration.

It is important that both these aspects of materiality are reported. Disclosing the process used to select material factors lends credibility to the report generally, and to the materiality assessment specifically. This is also true of stakeholder engagement in the materiality process, given that a key consideration in determining materiality is the impact of EESG factors on stakeholders. Further, such policies can help issuers to take greater care in their own materiality assessment. This is important because EESG factors are becoming increasingly valuable sources of competitive advantage (Lemmens 2020).

As with the 2019 study, listed issuers are more likely to consult internal stakeholders (66 percent of issuers reporting material factors) as compared to external stakeholders (52 percent of issuers reporting material factors). Although this is likely due to convenience, the perspectives of external stakeholders should also be sought. Possible channels of engagement include surveys, focus groups and interviews.

### Social, environmental topics dominate material factors

The ten most frequently disclosed material factors mainly comprise social and environmental topics (Figure 9). These factors are identical to the top ten material topics found in the 2019 study, except the addition of product responsibility, consumer health and safety, and marketing and labeling, which displaced water from 2019.

## Social topics most frequently cited as material factors

### Percent of issuers that cite a factor as material (2021 review)

Types of material factors



\* Comprises product responsibility, consumer health & safety, and marketing and labeling

Figure 9: Percent of issuers that cite a factor as material (2021 review)

The fact that that social topics – occupational health and safety, employment practices, training and education and diversity and equal opportunities – are particularly relevant for employees is consistent with the fact that employees are also the most frequently mentioned stakeholders (see Section 6.1).

It is also notable that anti-corruption/code of conduct is the second-most commonly disclosed material topic, with 62 percent of listed issuers citing it as material.

Looking ahead, supply chains and digitalisation may feature more prominently among material topics as the impact of Covid-19 becomes more entrenched. Those factors have been respectively cited as concerns arising from, and responses to the pandemic (KPMG 2020).

#### Best practices: Material topics

Disclosures about material topics should include:

- Material topics clearly identified, whether in a materiality matrix, table or list.
- An explanation of how the material topics were selected.
- Separate discussions on consultation with both internal and external stakeholders regarding materiality assessment, including how their feedback was incorporated.
- Identification of stakeholder groups consulted.

How frequently each material topic is cited within each industrial sector is shown in Figure 10. The trends are broadly similar to those found in 2019.

## How frequently sectors cite each material factor

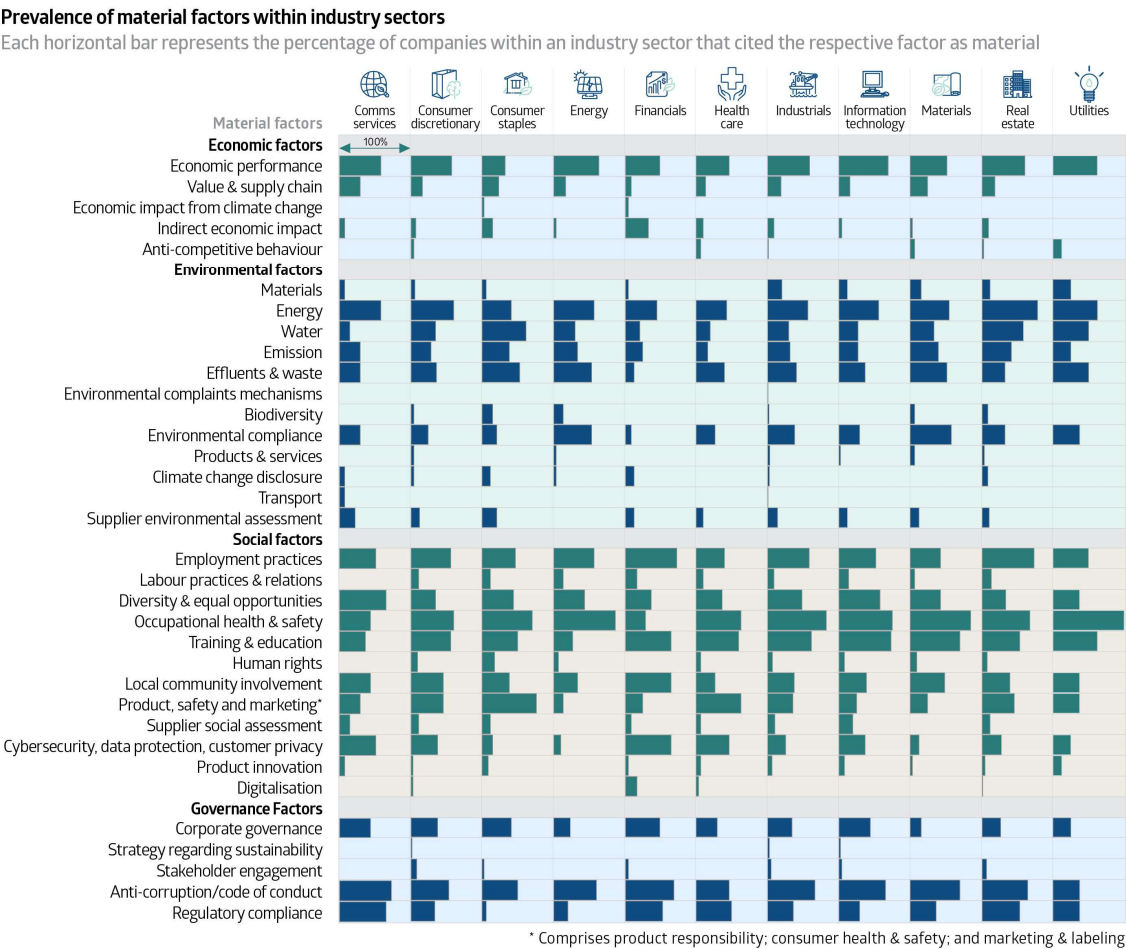


Figure 10: Prevalence of material factors within industry sectors

## 5.3 Policies, practices and performance

Much of the content of sustainability reports comes from disclosures on the listed issuer's policies, practices and performance in regard to each of its material topics. As per the SGX Sustainability Reporting Guide, this could include both qualitative and quantitative information. Issuers should disclose comparable data on performance measures over time, and in the context of targets. This would allow them to continually monitor their progress and identify gaps that need to be addressed.

### More issuers link exec remuneration to EESG performance

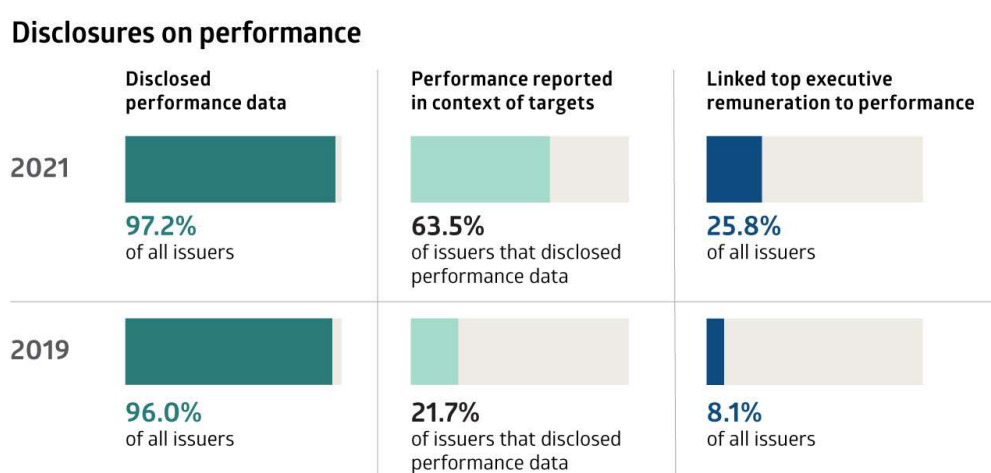


Figure 11: Disclosures on performance

#### More issuers refer to previous targets, but many still don't

As with the 2019 study, almost all the listed issuers (97 percent) disclosed past year non-financial performance data (Figure 11). Encouragingly, there has been a substantial improvement in reporting performance in the context of previously disclosed targets. 64 percent of issuers who disclosed performance data did so in the context of such targets, up from 22 percent. This increase is likely due to the fact that in the previous study, many issuers were first-time reporters and so did not have previously disclosed targets. The increase in 2021 therefore reflects a growth in the maturity of sustainability reporting among listed issuers.

Another notable increase is seen in the linking of top executive remuneration to EESG performance, reflecting strengthened board commitment to moving their organisation in a sustainable direction. Further, there is more widespread adoption of this practice across the market. In the 2019 study, most of the listed issuers who reported such a linkage were in the large cap category; in 2021 the large cap issuers do not dominate this practice. This is consistent with a growing corporate practice of sustainability performance being included as a factor of consideration for compensation such as performance bonuses (Lemmens 2020).

Despite the increase, there is still room for improvement in describing performance in the context of previously disclosed targets, as around 40 percent of issuers who disclosed



performance data did not do so. This practice increases reporting transparency – which in turn builds stakeholder confidence – and also helps issuers to more accurately assess their progress in moving towards sustainability and thus make better decisions regarding their sustainability management (Lemmens 2020).

### **Best practices: Policies, practices and performance**

Disclosures about policies, practices and performance should include:

- Reporting performance data for all material topics.
- Multi-year performance data – three years of data, for example – to provide more context for sustainability performance.
- Consistent indicators that allow comparison across reporting periods.
- Data in the context of targets to allow assessments of the issuer's performance relative to goals.

## **5.4 Targets**

Listed issuers should set clear targets for their material topics, giving focus to their sustainability strategies and allowing them to monitor their progress. This in turn will alert them to the need to take corrective action when necessary. The Sustainability Reporting Guide specifies that sustainability reports should disclose the issuer's targets for the next reporting period. For the purpose of this study, goals for the next reporting period are considered short-term targets. Targets that are set two to five years in the future are considered medium-term, while those beyond that are long-term targets.

### **Issuers switch to short-term targets from longer-term goals**

The share of issuers who reported their sustainability targets has increased since the 2019 study; currently almost all (93 percent) of the listed issuers disclose some form of sustainability target, either quantitative or qualitative (**Figure 12**). Examples of these targets include training hours, emissions rates, or obtaining Green Mark certification for buildings. The vast majority of these disclosed targets are for the short term. In compliance with the SGX Sustainability Reporting Guide, 72 percent of listed issuers report their targets for the following year. This is a large increase from the 40 percent who did so in the 2019 study.

Setting of longer-term targets, however, has come down, to 53 percent from 63 percent. The shift toward short-term goals could be due to experience. Issuers who were going through sustainability reporting for the first time in the 2019 review may have wanted to give themselves more time to reach their targets and so set goals that were more than a year in the future. But with increased comfort in sustainable reporting in the 2021 review, issuers may have been more confident about being accountable to shorter-term targets.

## More set short-term targets, link to strategy, performance

### Disclosures on targets

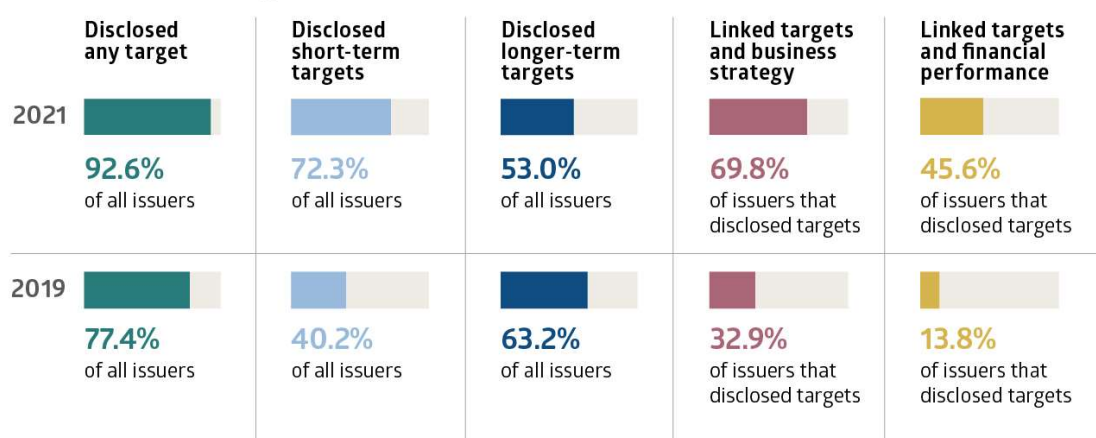


Figure 12: Disclosures on targets

### Targets better linked to corporate strategy

Another improvement is seen in the deepening linkage between issuers' sustainability targets and their overall corporate strategy. A much larger share of listed issuers report linkages between their targets, and their business strategy (70 percent of those disclosing targets) and/or their financial performance (46 percent of those disclosing targets).

Examples of these include reducing energy consumption to achieve cost savings; engaging in staff development and wellness activities in recognition of employees' roles in contributing to business success and growth; and maintaining anti-corruption targets as part of an overall strategy to increase investor confidence and attain business excellence.

Such linkages help to ensure that the issuer's sustainability efforts are embedded within the organisation's business model rather than merely being an "add-on" peripheral to its operations. They also help issuers take the longer-term perspective that is inherent in sustainability issues (Lemmens 2020).

### Need for more balanced, specific target setting

Listed issuers can improve their sustainability disclosures by setting specific, measurable targets and indicating a timeframe by which these targets should be met. It is true that some EESG factors are more difficult to quantify (e.g. corporate culture). However, if targets are left vague or unspecific, it is difficult for the issuer to monitor progress and identify whether intervention is needed. Conversely, concrete performance indicators facilitate development of concrete strategies and actions, and can play a role in attracting financial capital by creating confidence amongst shareholders and creditors (Young 2020).

It would also be good for issuers to set longer-term sustainability targets – beyond the next reporting period – while maintaining short-term targets; balancing both these types of targets helps to create corporate value (Cheam 2020).

## Best practices: Targets

Disclosures about targets should include:

- A balance of both short-term and longer-term targets.
- Specific, measurable targets for all material topics.
- Clear linkages between EESG targets, and business strategy and financial performance.

## 5.5 Sustainability reporting framework

Because of the many possible approaches, topics and indicators for reporting EESG impacts, listed issuers are encouraged to adopt a globally recognised framework to guide their sustainability reporting. This increases the credibility of their reports with stakeholders, as it allows for more holistic reporting while helping to minimise blind spots or engaging in greenwashing.

The most commonly used reporting framework globally is the Global Reporting Initiative (GRI). Other well-known frameworks include the United Nations' (UN) Sustainable Development Goals (SDG), the UN Global Compact (UNGC), and the International Integrated Reporting Council (IIRC). More industry-specific frameworks are available from the Sustainability Accounting Standards Board (SASB).

## GRI remains most popular reporting framework

### Reporting on framework adoption

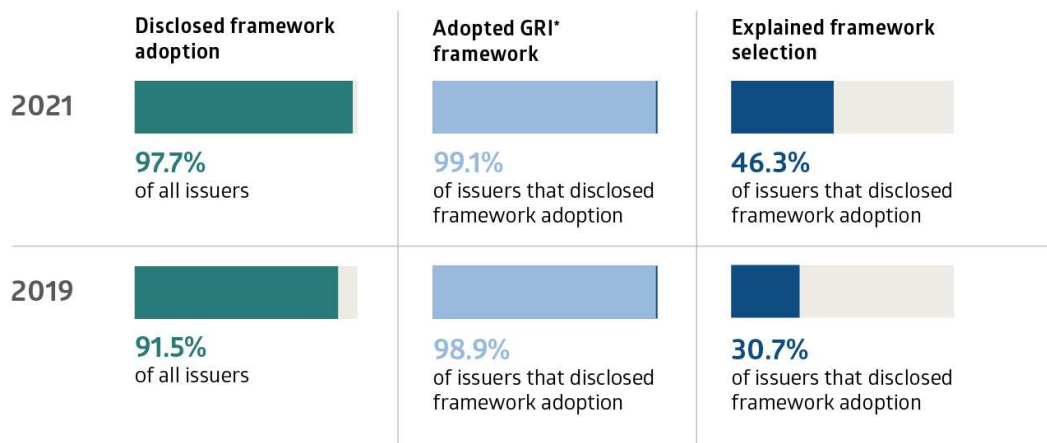


Figure 13: Reporting on framework adoption

### **GRI remains most popular reporting framework**

Another improvement in listed issuer sustainability reporting is seen in **Figure 13**. Compliance with the requirement to identify the reporting framework is almost 100 percent, up from 92 percent previously.

Out of the scored components in this study, the reporting framework component earned among the highest average scores. This is an encouraging result, because the use of an accepted reporting framework is critical for accurate, comprehensive and credible sustainability reporting.

GRI remains the most popular choice of framework, adopted by almost all listed issuers who disclosed their framework (99 percent in both the 2019 and 2021 studies). Issuers commonly also use the UN's SDGs in their sustainability management and reporting. Although only two issuers produced integrated reports, six additional issuers incorporated principles from the International Integrated Reporting Council (IIRC) into their reports.

### **Most still not explaining choice of reporting framework**

More issuers are disclosing their reasons for selecting their adopted framework(s). 46 percent of issuers who disclosed their reporting framework did so, up from 31 percent previously. Despite that improvement, the majority of listed issuers are still not explaining their reasons for the reporting framework selected. Giving their reasons for this selection would enhance the quality of issuers' sustainability reports and bring them to greater compliance with SGX's reporting guide.

#### **Best practices: Sustainability reporting framework**

Best practices in terms of sustainability reporting frameworks include:

- Preparing sustainability reports in accordance with an internationally recognised framework.
- Using additional frameworks over and above the GRI; for example, adopting relevant sector-specific standards from SASB.
- Explaining reasons for the reporting frameworks chosen.

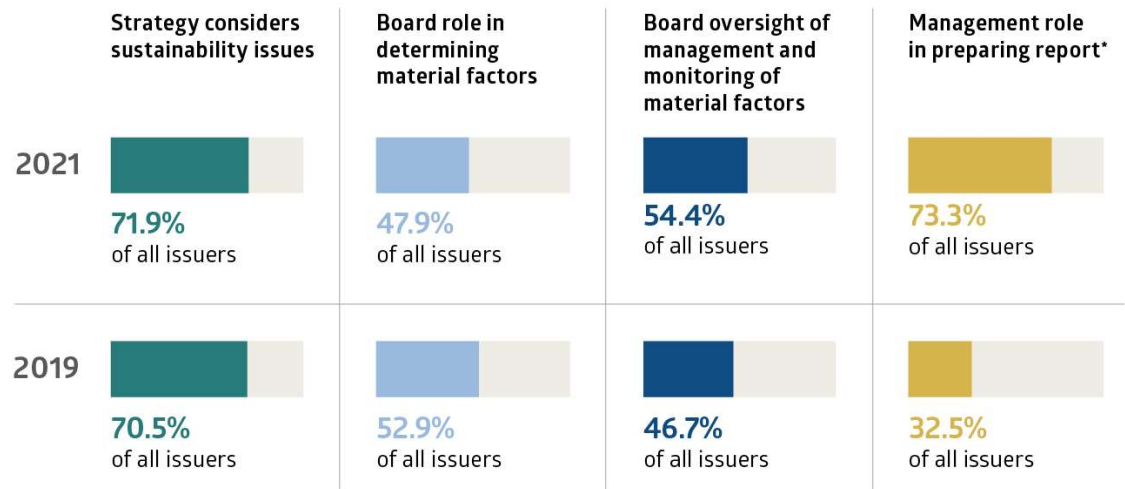
## **5.6 Board statement**

Leadership plays a key role in sustainability management, and the board bears the ultimate responsibility for the issuer's sustainability reporting. Boards that take responsibility for overseeing sustainability and embedding it into their corporate strategy will be better equipped to navigate their organisations through EESG challenges such as Covid-19, and help them succeed over the long-term (Van Aerschot 2020, Chang 2020)

This is reflected in the SGX Sustainability Reporting Guide. It requires that reports contain a board statement confirming that the board considers sustainability issues as part of its strategic formulation; has determined the material topics; and has overseen the management and monitoring of the material topics. Such disclosures can also function as a signal to investors that the issuer takes sustainability management seriously and holds management accountable for performance in sustainability issues (Genovese and Saltman 2019, Deloitte 2018).

## More transparency on management role in reporting

### Inclusion in board statements



\* Discussion of management role is counted even if disclosure is outside board statement.

Figure 14: Inclusion in board statements

### More disclosing management role in report preparation

Listed issuers continue to reflect in their board statements the importance of sustainability issues, with 72 percent stating that such issues are part of their strategic formulation (Figure 14). This was the most commonly disclosed of the three required parts of the board statement.

Disclosing a statement about board involvement in overseeing the management and monitoring of material factors has increased, with over half of the issuers now having such a disclosure in their board statement. A more significant increase is the disclosure of management’s role in preparing of the sustainability report. The share of listed issuers who make such a disclosure more than doubled to reach 73 percent. These are important gains because in order to drive sustainability management in their corporations, boards must themselves understand the EESG risks and opportunities, which includes how they are being monitored and managed (Van Aerschot 2020).

### **Board's role in materiality assessment should be in board statement**

In a reverse of the trend seen above, a statement about the board's involvement in determining material topics has dropped slightly, to 48 percent. A number of listed issuers did indeed disclose such board involvement in their reports, but the disclosure was made in other parts of the report (such as the materiality section) rather than in the board statement. Compliance with the SGX Sustainability Reporting Guide would require this to be stated in the board statement; this is the appropriate location, as it is where the issuer's top leadership affirms its commitment to sustainability and how such commitment is expressed.

#### **Best practices: Board statement**

- Disclosures about board statements should include specific actions that the board has taken to consider sustainability issues as part of its strategic formulation, to determine the material ESG factors and to oversee the management and monitoring of material ESG factors.
- The abovementioned disclosures should not be left out or located in other parts of the sustainability report, like in the materiality section.

# 6. Key principles of sustainability reporting practices

This section will discuss the performance of issuers in adhering to some of the key principles laid out in the SGX Sustainability Reporting Guide.

## 6.1 Stakeholder engagement

By building relationships with stakeholders, listed issuers can better understand their perspectives and concerns on sustainability issues, and work with stakeholders to address them where appropriate (Manetti 2011, Noked 2013). In their sustainability reports, issuers should disclose their stakeholders, and the outcomes of stakeholder engagement over the reporting period.

### Better disclosure needed on stakeholder process

Almost all the issuers (95 percent) disclosed their stakeholder groups, up from 88 percent in the 2019 study (Figure 15). A breakdown of stakeholders identified by sector can be seen in Figure 16. Overall the most commonly identified stakeholders are employees, customers and the government, followed by suppliers, shareholders and investors.

## Discussions on stakeholder engagement process still sparse

### Disclosures on stakeholder engagement

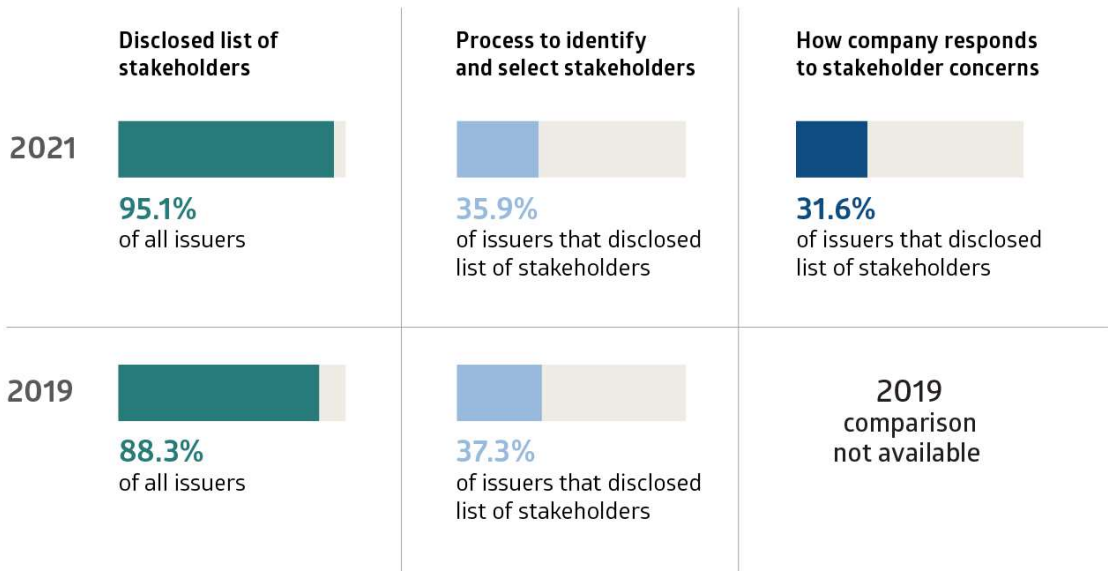


Figure 15: Disclosures on stakeholder engagement

Among those disclosing their stakeholders, only around one-third also disclosed how they identify their stakeholders and how they respond to stakeholders' concerns (Figure 16). Given that stakeholder engagement is a key aspect of sustainability reporting – and in fact forms a

large part of the rationale for the sustainability report – it would be beneficial for listed issuers to increase the depth of their disclosures regarding stakeholder engagement by reporting these two issues. This is even more true in the wake of the pandemic, which has intensified public expectations that corporations will work with stakeholders on EESG-related issues such as recovering from Covid-19 (Katz and McIntosh 2020).

## Employees most frequently identified as stakeholders

### Prevalence of stakeholder groups within industry sectors

Each horizontal bar represents the percentage of companies within an industry sector that cited the respective group as a stakeholder

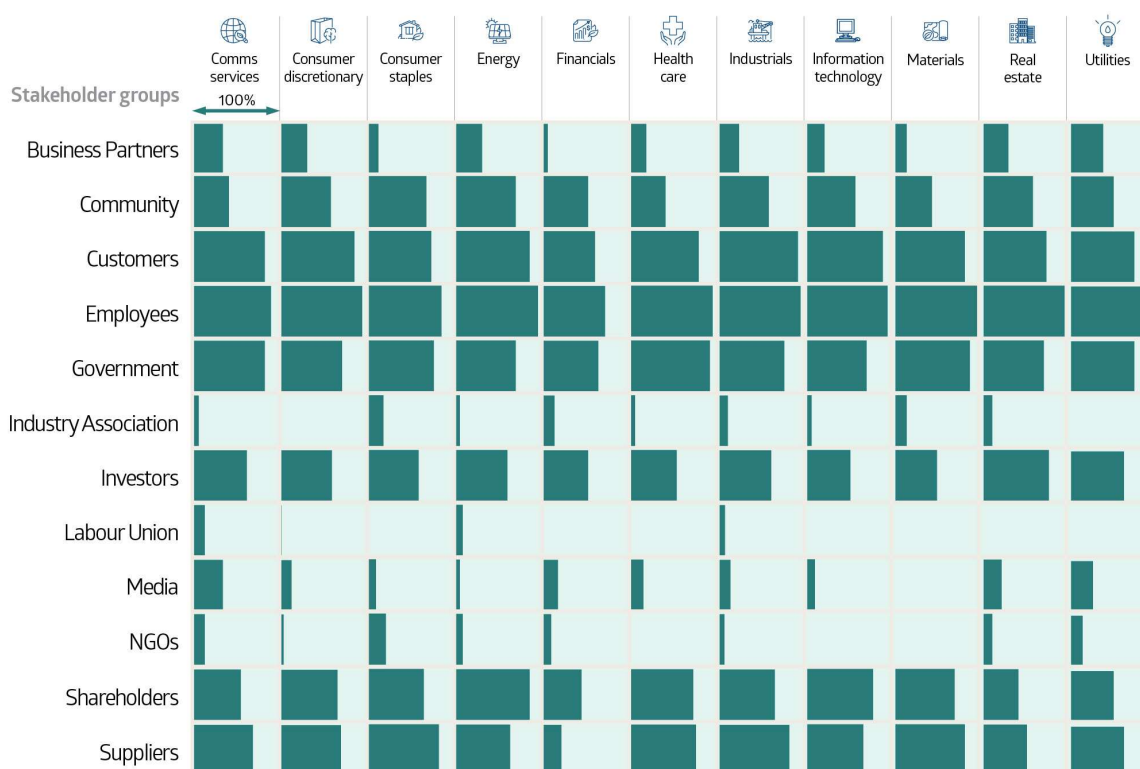


Figure 16: Prevalence of stakeholder groups within industry sectors

### Best practices: Stakeholder engagement

Disclosures about stakeholder engagement should include:

- Description of how stakeholders are selected and identified, and a short explanation of why these groups are relevant to the issuer.
- Explanation on how the issuer responds to stakeholder concerns. This is separate from, and additional to, disclosing stakeholder engagement channels.



## 6.2 Risks and opportunities

Issuers should include both risks and opportunities in their sustainability reports, identified from the perspectives of both the organisation and their stakeholders. Although the disclosure of financial risk is now commonplace, sustainability reports should highlight non-financial issues as well. This facilitates issuers' efforts to manage their risks and convert them to opportunities; it also helps stakeholders to better understand issuers' sustainability strategies.

### Slight decline in discussion of risks, opportunities within reports

#### Disclosures on risks and opportunities



Figure 17: Disclosures on risks and opportunities

#### Disclosure on risks and opportunities slips

Disclosure regarding risks and opportunities has generally fallen slightly since the 2019 study (to 74 percent for risks and 49 percent for opportunities), as has the disclosure of impact of risks/opportunities on performance (Figure 17). It should be noted however, this may be due to issuers disclosing their risks and opportunities in their annual reports rather than in their sustainability reports. To the extent that the drop is reflective of an actual trend in the market, reversing it is important for the subsequent quality of issuers' sustainability management, as such disclosures increase the confidence of investors and other stakeholders such as customers and business partners (Cheng and Lau 2020).

Examples of opportunities are green finance and adoption of new technology, while commonly mentioned risks include data leakages (and the subsequent reputation risk), and lost time due to injuries. Moving forward, risks related to supply chains are likely to be important for issuers due to Covid-19, with a recent survey finding that CEOs in Singapore identified this as the key risk to their organisations over the next three years (KPMG 2020). In addition, issuers should consider other factors related to business continuity and resilience, such as succession plans to be

implemented in situations where key personnel are temporarily incapacitated. Investors can be expected to scrutinise more closely whether corporations are adequately managing risks that may arise from EESG-related systemic crises (Katz and McIntosh 2020).

**Best practices: Risks and opportunities**

Disclosures about risks and opportunities should include:

- Description of risks and opportunities associated with each material topic.
- Impact of the risks and opportunities according to a credible framework such as Enterprise Risk Management (ERM).

6.3 Independent assurance

Independent assurance helps to boost the credibility of sustainability reports in the eyes of stakeholders. It gives independent assurance of the accuracy and reliability of the information disclosed, as well as confirmation that such information provides a true and balanced picture of the company’s sustainability efforts and its underlying processes. The SGX Sustainability Reporting Guide recommends that listed issuers new to sustainability reporting generally begin with internal verification of their reports, and then progress to obtaining external assurance.

Only one in five issuers obtained assurance

Independent assurance

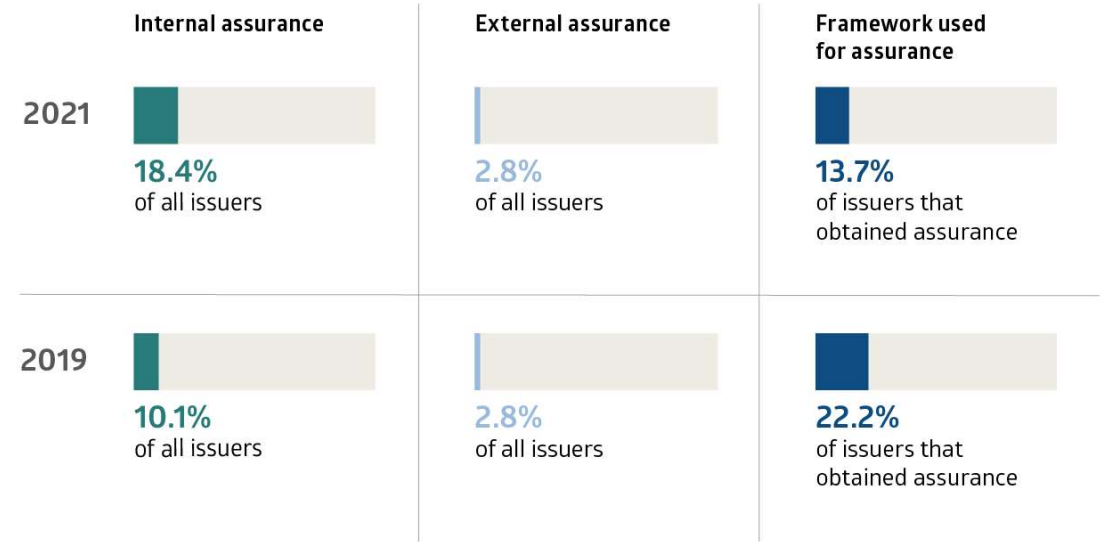


Figure 18: Independent assurance

### **Modest improvement in assurance, but adoption still low**

The share of listed issuers who obtain assurance for their sustainability reports has increased since the 2019 study. This is mainly due to the increase in issuers seeking internal assurance, up to 18 percent (Figure 18). The share of those obtaining external assurance for their reports remains unchanged at 3 percent.

The share of issuers who reported using a framework in their assurance fell to 14 percent; however, this drop is mainly due to the increase in issuers who used internal assurance – many of these issuers did not disclose the use of an assurance framework. All reports that were externally assured also disclosed the framework used for assurance. International Standard on Assurance Engagements (ISAE) 3000 and Singapore Standards on Assurance Engagement (SSAE) 3000 are the more commonly used assurance frameworks.

The increased adoption of internal assurance suggests that more listed issuers may be heeding the SGX Sustainability Reporting Guide's suggestion for issuers still new to sustainability reporting to begin with internal assurance. External assurance remains a practice dominated by the large companies, with all but one of those obtaining external assurance being in the large cap category.

In order to improve the quality and creditability of their sustainability reports, it would be beneficial for more listed issuers to obtain external assurance. They could do so using a phased approach, beginning with selecting a few important sections of their report for independent assurance. This would stand them in good stead for the future, given predictions that external assurance for sustainability reporting will eventually become a requirement (Cheam 2020).

#### **Best practices: Independent assurance**

Best practices in terms of independent assurance include:

- Obtaining external assurance.
- Disclosing and explaining the scope of assurance.

## **6.4 Timeliness**

### **More tardy issuers in 2021**

In order for issuers' sustainability disclosures to be meaningful, they must be reported in a timely fashion; that is, in time for stakeholders to make informed decisions based on the information disclosed. Issuers listed on SGX are to release their sustainability reports at least once a year. Sustainability reports embedded within annual reports should be submitted within four months of the end of the financial year, and standalone reports within five months. Exceptions are granted to first-time issuers, who are given twelve months from the end of the financial year to submit their first sustainability report.

Most of the listed issuers released their sustainability reports within the timeframe stipulated by SGX. But while all issuers submitted their reports on time in the 2019 study, in the 2021 review 12 percent of issuers did not meet their deadlines<sup>6</sup> (Figure 19).

## Slight decline in timeliness

**Percent of issuers that submitted sustainability reports on time**



Figure 19: Percent of issuers that submitted sustainability reports on time

### Best practices: Timeliness

Best practices in terms of timeliness include:

- Releasing report in accordance with the timeline set by SGX-ST Listing Rule 711A.
- Uploading the sustainability report on SGXNet with the appropriate accompanying announcement.

<sup>6</sup> The timeliness percentage is calculated against a base of 564 issuers. That is because two of the 566 issuers that were assessed did not file their reports via SGXNet, so the publication date of those reports could not be ascertained.

## 6.5 Reporting on favourable and unfavourable aspects

In reporting, it is natural for issuers to want to emphasise positive information and avoid or downplay negative disclosures. However, they should take care to present both favourable and unfavourable aspects of their sustainability contributions and impacts. This facilitates stakeholders forming an accurate, balanced assessment of the organisation's performance. In addition, an overly positive, one-sided report loses credibility in the eyes of stakeholders and raises suspicions of greenwashing (Hahn and Lülfs 2014, Zsóka and Vajkai, 2018).

### More issuers include negative information in reports

The SGX Guidelines require balanced reporting of a company's performance. To some extent, the balanced reporting requirement is skewed to how well companies are performing. A company may report more favourable developments if it has had a better year and not necessarily because it is "less balanced" in its disclosures.

The review has assessed performance by using indicators that offer approximations of holistic disclosures such as the inclusion of negative trends and developments by companies, including the impact of Covid-19.

## More issuers reporting negative information

### Balance in reporting among all issuers

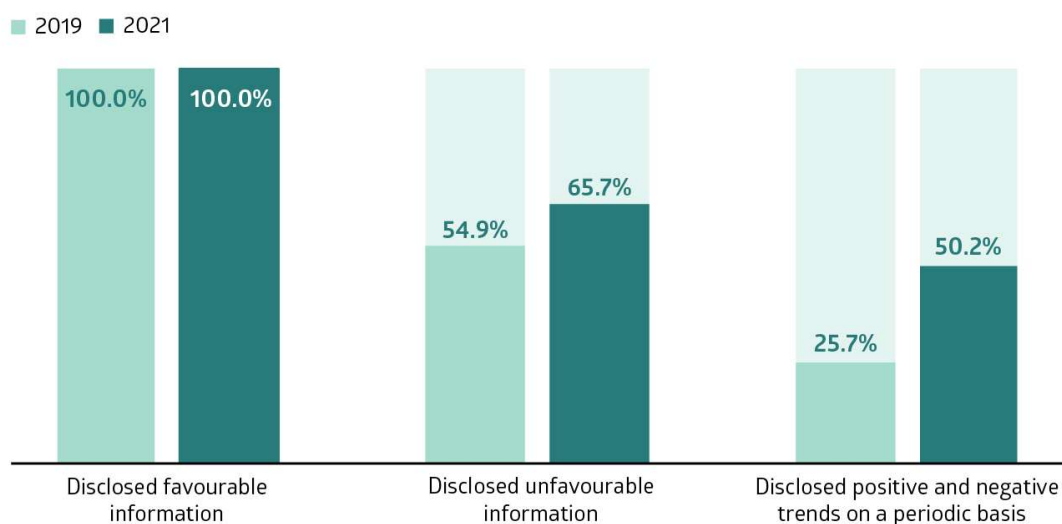


Figure 20: Balance in reporting among all issuers

Listed issuers have generally become more balanced in their sustainability reporting. As expected, all the listed issuers disclosed favourable aspects in their reports (**Figure 20**); common examples include zero cases of corruption, fatalities or data loss. However, the share of those who disclosed unfavourable aspects increased significantly to 66 percent. Those who did so cited for example, workplace accidents, fines incurred and increased turnover rates. There is also an increase in the share of issuers who show both positive and negative trends in their reports, from one-quarter to one-half of issuers. This is a further reflection of growing maturity in sustainability reporting among Singapore-listed issuers.

### **Best practices: Balanced reporting**

Best practices in balanced reporting include:

- Clearly disclosing both favourable and unfavourable aspects of EESG performance.
- Presenting both positive and negative trends of performance. This includes giving a short description, as opposed to merely presenting data in a table, where it is easy to overlook.

## 7. Topical Issues

### 7.1 Covid-19

The full extent of the Covid-19 pandemic was not seen during the reporting period of many of the issuers covered in this study. As such, the results here can only be used as a preliminary indication of the effects of the virus and how issuers are responding to it.

#### Pandemic's impact most seen in social factors

Listed issuers clearly see Covid-19 as a sustainability-related topic, with 61 percent making disclosures related to the virus in their sustainability reports (Figure 21). The viral outbreak's impact was most commonly associated with social factors, with 73 per cent of the issuers that made Covid-19 disclosures mentioning the disease in relation to social topics. Economic factors were the next most commonly associated with the pandemic's impact, being cited in relation to the pandemic by 67 per cent of issuers with Covid-19 disclosures. Few issuers made Covid-19-related disclosures in environmental terms. This is expected, given that Covid-19 is a health-related issue with severe indirect effects on the economy.

### Pandemic impact most seen in social, economic factors

#### Covid-19 disclosures

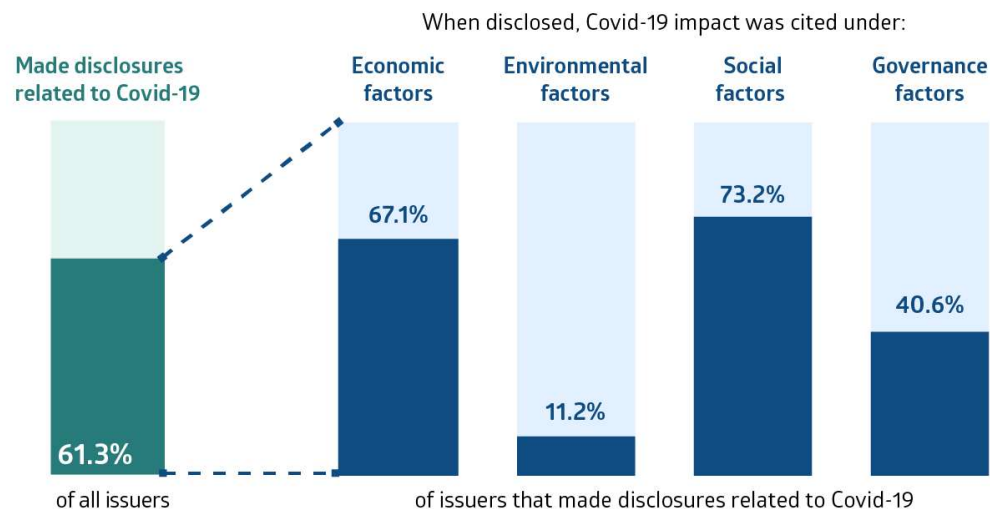


Figure 21: Covid-19 disclosures

The focus on social factors is also aligned with a July 6, 2020 column by SGX Regco that urged issuers to address Covid-19 impact on social factors in sustainability reports.

It is also consistent with findings of other studies. For example, a 2020 survey on boards' responses to Covid-19 found that employees were the top concern in their business and strategic

decisions responding to Covid-19 and that the environment was the lowest priority (Cheng and Lau 2020).

**Disclosures reflect wide-ranging impact of viral outbreak**

Issuers’ disclosures show how Covid-19 has had impacts all along the EESG chain. Economic disclosures include falls in sales volume or suspension of some site operations, while social disclosures include measures taken to ensure safety of employees and other stakeholders, and providing community assistance. Governance-related disclosures largely pertain to complying with government regulations, for example regarding closure of non-essential business and safe management measures.

Environmental disclosures also show that Covid-19’s effect is not necessarily uni-directional. A salutary effect has generally been assumed due to lower resource usage accompanying reduced operations. However, although issuers do indeed have disclosures related to reduction in electricity usage and emissions because of lower business volume, for example, there are also reports of rises in water usage because of increased sanitation.

**7.2 Climate change**

**Scarce use of climate-focused reporting frameworks**

**Climate change disclosures**

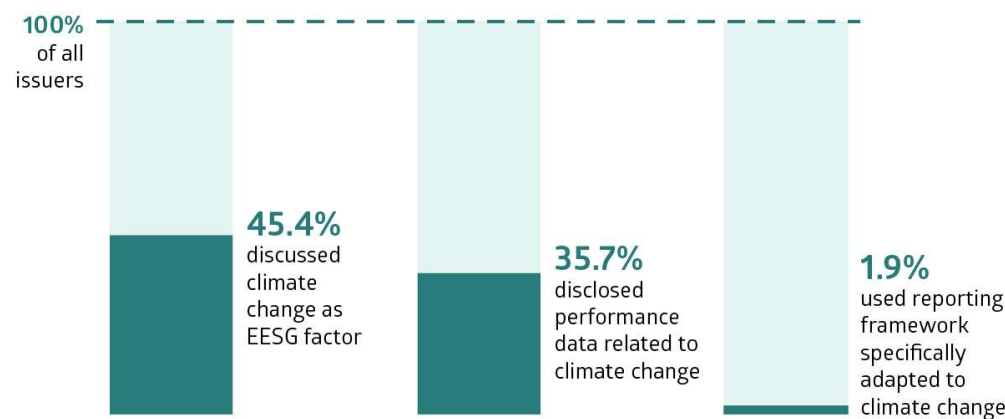


Figure 22: Climate change disclosures

Climate change is a key topic in sustainability, given its impact on multiple factors such as water, food security and energy and a growing sense of urgency about the need to act.

**Almost half of issuers discussed climate change, as measured by conservative yardstick**

Almost half the listed issuers discussed climate change as an EESG factor in their sustainability reports; for most of these (around one-third of listed issuers), it is a material topic (Figure 22). This includes those who reported climate change, emissions, and/or the economic impact of climate change as material. It should be noted however that this is a lower bound; if issuers disclosing energy as a material factor are included, the share of those with climate change as an



EESG topic increases to 70 percent. Similarly, over one-third of issuers disclosed performance data with regards to climate change – emissions data – but if energy efficiency data is included, this rises to 66 percent.

These figures can be expected to rise as public sentiment, green financing and government policy provide greater impetus to corporate attention to climate change; this is already reflected in KPMG's 2020 survey finding that a majority of Singapore CEOs perceive managing climate change risk as playing a determinative role in their retaining their jobs over the next few years. Increasingly, failure to manage such risks is likely to expose organisations to negative repercussions in areas such as operational credit or liquidity (KPMG 2020).

### **Hardly any issuers use climate-focused reporting frameworks**

Very few listed issuers are adopting reporting frameworks specifically adapted to climate change disclosures. Only 2 percent of listed issuers use frameworks by the Task Force on Climate-related Financial Disclosures (TCFD), Carbon Disclosure Project (CDP) or Science Based Targets initiative (SBTi). However almost all issuers use the GRI, and many use the SDGs, which incorporate climate change in their frameworks.

## 8. Conclusion

The 2021 assessment of sustainability reporting of Singapore-listed issuers shows improvement in reporting quality across both listing boards, and all industry sectors and sizes as proxied by market capitalisation. These is an encouraging reflection of the growth of maturity of sustainability reporting in Singapore.

There is nevertheless potential for improvement. This is especially the case given today's corporate environment where Covid-19, sustainability-linked financing and climate change are increasingly shining the spotlight on EESG factors, with correspondingly greater scrutiny and calls for transparency from stakeholders including shareholders, investors, regulators, the government, consumers and the media (Tang 2020, Van Aerschot 2020).

Singapore-listed issuers should thus continue to develop their sustainability reporting in order to be better prepared to face this environment, as they seek to better manage the emerging risks and opportunities. They should also take advantage of training and education resources provided by SGX.

### 8.1 Next steps

It is recommended that SGX organise avenues for training to help issuers in their sustainability reporting efforts.

These could take a variety of formats, such as workshops, seminars or panel discussions. They could be led by industry experts, sustainability reporting consultants or by relevant representatives of companies who employ best practices in sustainability reporting. Such training may particularly help smaller issuers which are in greater need of assistance in sustainability reporting but have fewer resources to acquire it.

These events could be targeted to different industry groups that face similar reporting requirements or challenges, such as specific industry sectors or company sizes as proxied by market capitalisation.

They could also cover a range of topics:

- Training could be given to provide issuers with a better understanding of strategic issues, such as how sustainability reporting can help their organisations achieve better business performance. A related topic could be helping issuers see sustainability reporting from a long-term perspective, given that the benefits of EESG reporting are especially seen in the long term and competitive advantages derived may not be immediately obvious (Eccles et al. 2014). This is particularly relevant during the pandemic, which has led to an overwhelming majority of corporate leaders focusing on the very short-term (Cheng and Lau 2020).
- Conversely, other topics could be more targeted, such as helping issuers with specific aspects of sustainability reporting which have been shown to have deficient performance.

- Special-interest issues could also be covered, touching on sustainability management and reporting for risks and opportunities arising from climate change or from Covid-19. Other potential topics may not be directly related to sustainability reporting but may lead to better EESG management in issuers and so eventually to better reporting, such as help in leveraging government programs and grants such as the Enterprise Sustainability Programme and the Green and Sustainability-Linked Loan Grant Scheme.

## References

Bernow, S., Godsall, J., Klempner, B. and Merten, C. (2019). More Than Values: The Value-Based Sustainability Reporting That Investors Want. McKinsey & Company. Accessed at <https://www.mckinsey.com/business-functions/sustainability/our-insights/more-than-values-the-value-based-sustainability-reporting-that-investors-want>

Business Times. (2021). ESG Magnates Pour Money Into China and its Asian Peers, 23 February. Accessed at <https://www.businesstimes.com.sg/banking-finance/esg-magnates-pour-money-into-china-and-its-asian-peers>

Business Times. (2021a). Budget 2021: Government Will Review Carbon Tax Rate, Which Will Remain at S\$5 per Tonne Until 2023, 16 February. Accessed at <https://www.businesstimes.com.sg/government-economy/singapore-budget-2021/budget-2021-government-will-review-carbon-tax-rate-which>

Chang, E. (2020). Corporate leadership, re-imagined: The importance and implications of sustainability, SID Directors Bulletin Quarter 3 2020, p. 62-63.

Cheng, W. and Lau, Y.C. (2020). Opportunities in the Covid-19 crisis, SID Directors Bulletin Quarter 3 2020, p. 28-31.

Cheam, J. (2020). Leadership in sustainability: Where does Singapore stand? SID Directors Bulletin Quarter 3 2020, p. 6-13.

CNA. (2020). MAS Debuts Grant Scheme to Support Green and Sustainability-Linked Loans, 24 November. Accessed at <https://www.channelnewsasia.com/news/singapore/mas-green-sustainability-loan-grant-finance-banks-ocbc-uob-13628212>

Deloitte (Deloitte Touche Tohmatsu Limited). (2018). Sustainability and the Board: What do Directors Need to Know in 2018?. Accessed at <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Risk/gx-sustainability-and-the-board.pdf>

Eccles, R. G., Ioannou, I., and Serafeim, G. (2014). The impact of corporate sustainability on organisational processes and performance, Management Science, 60(11), 2835-2857.

Genovese, A. and Saltman, H. (2019). Why Sustainability Reporting Needs Governance Perspective. Corporate Secretary. Accessed at <https://www.corporatesecretary.com/articles/esg/31792/why-sustainability-reporting-needs-governance-perspective>

Hahn, R. and Lülfes, R. (2014). Legitimizing negative aspects in GRI-oriented sustainability reporting: A qualitative analysis of corporate disclosure strategies, Journal of Business Ethics, 123(3): 401-420.

Katz, D. and McIntosh, L.A. (2020). Corporate Governance Update: EESG and the COVID-19 Crisis. Harvard Law School Forum on Corporate Governance. Accessed at

<https://corpgov.law.harvard.edu/2020/05/31/corporate-governance-update-eesg-and-the-covid-19-crisis/>

KPMG (KPMG Services Pte. Ltd). (2020). KPMG 2020 CEO Outlook: Covid-19 Special Edition. Accessed at <https://home.kpmg/sg/en/home/insights/2020/09/kpmg-2020-ceo-outlook-covid-19-special-edition-singapore.html>

Lemmens, M. (2020). Why the triple bottom line is even more critical today, SID Directors Bulletin Quarter 3 2020, p. 46-49.

Loh, L. (2020). What's the big deal about sustainability, SID Directors Bulletin Quarter 3 2020, p. 64-65.

MAS (Monetary Authority of Singapore). (2020). MAS Launches World's First Grant Scheme to Support Green and Sustainability-Linked Loans, 24 November. Accessed at <https://www.mas.gov.sg/news/media-releases/2020/mas-launches-worlds-first-grant-scheme-to-support-green-and-sustainability-linked-loans>

Manetti, G. (2011). The quality of stakeholder engagement in sustainability reporting: empirical evidence and critical points. Corporate Social Responsibility and Environmental Management, 18(2), 110-122.

Ng, K. (2021). Calls to guard against greenwashing as sustainable investing races ahead, Business Times, 23 February. Accessed at <https://www.businesstimes.com.sg/banking-finance/calls-to-guard-against-greenwashing-as-sustainable-investing-races-ahead>

Noked, N. (2013). The Corporate Social Responsibility Report and Effective Stakeholder Engagement. HLS Forum on Corporate Governance and Financial Regulation. Accessed at <https://corpgov.law.harvard.edu/2013/12/28/the-corporate-social-responsibility-report-and-effective-stakeholder-engagement/>

Overall, M. (2017). How to Make Your Materiality Assessment Worth the Effort. GreenBiz. Accessed at <https://www.greenbiz.com/article/how-make-your-materiality-assessment-worth-effort>

Tan, J. (2020). Sustainability leadership in pandemic times, SID Directors Bulletin Quarter 3 2020, p. 14-17.

Tang, M. (2020). Flattening the curve, SID Directors Bulletin Quarter 3 2020, p. 50-53.

Van Aerschot, C. (2020). Embedding sustainability in company strategy, SID Directors Bulletin Quarter 3 2020, p. 58-61.

Young, S.B. (2020). Stopping the contagion and achieving the SDGs, SID Directors Bulletin Quarter 3 2020, p. 54-57.

Zsóka, Á. and Vajkai, É. (2018). Corporate sustainability reporting: Scrutinising the requirements of comparability, transparency and reflection of sustainability performance, Society and Economy, 40(1): 19-44.

While each of Singapore Exchange Limited ("SGX") and its affiliates (collectively, "SGX Group Companies") have taken reasonable care to ensure the accuracy and completeness of the information provided, each of the SGX Group Companies disclaims any and all guarantees, representations and warranties, expressed or implied, in relation to this document/material and shall not be responsible or liable (whether under contract, tort (including negligence) or otherwise) for any loss or damage of any kind (whether direct, indirect or consequential losses or other economic loss of any kind, including without limitation loss of profit, loss of reputation and loss of opportunity) suffered or incurred by any person due to any omission, error, inaccuracy, incompleteness, or otherwise, any reliance on such information, or arising from and/or in connection with this document/material. The information in this document/material is subject to change without notice. This document/material shall not be reproduced, republished, uploaded, linked, posted, transmitted, adapted, copied, translated, modified, edited or otherwise displayed or distributed in any manner without SGX's prior written consent.

<b>Singapore Exchange</b>	2 Shenton Way	main: +65 6236 8888
	#02-02	fax: +65 6535 6994
	SGX Centre 1	<b>sgx.com</b>
	Singapore 068804	

Singapore | Beijing | Chicago | Hong Kong | London | Mumbai | New York | San Francisco | Shanghai | Tokyo